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Cp. 2

FARMERS' NEWSLETTER

Wheat



January 81/W-16

Prices Weaken

Wheat producers have sold about half of the 1980 crop at an average price of \$4.00 per bushel, with some sales above \$4.25.

Pushed by strong export demand, the national average farm price reached \$4.20 per bushel in October, opening the farmer-owned reserve supply for sale.

But then, concern over record high interest rates and a tense international situation caused grain market prices to slip badly in the first weeks of December. In one of the most dramatic commodity trading periods on record, wheat prices (futures and cash) plummeted more than 80 cents a bushel by December 11.

By the end of December, some of the loss was recovered, but average farm prices of around \$4 ended the release status of the farmer-owned reserve as of January 1...and storage payments resumed for wheat still in reserve.

The price outlook from here on will be tuned to weather and crop developments here and to other major wheat crops in the Northern Hemisphere. Currently, prices show some firmness. Also, a pickup in spring export activity may

prompt some gains, but prospects for a large new crop and ample supplies into 1982 likely will overhang the market.

However, bear in mind that while the U.S. wheat supply may be bountiful, world supplies are relatively tight.

As you weigh your marketing options, consider:

- hedging a portion of your crop; i.e. taking a short position in new crop futures,
- developing a pricing "goal" for next season based on anticipated production costs, and
- using the loan and reserve program.

New Loan Rate for 1980

Reserve Participants

Use of the loan and reserve programs has been a viable marketing option for a number of years. But in the last 2 years, strong crop prices tended to limit loan and reserve participation. To strengthen the reserve program and provide a more attractive marketing option to grain farmers--particularly when increasing supplies put pressure on price levels--USDA announced a major change in reserve benefits with the passing of the Agricultural Act of 1980.

The change adds 30 cents per bushel to the standard loan of \$3 for 1980 and 1981 wheat you place in the farmer-owned reserve. In addition, all interest charges (currently 11.5

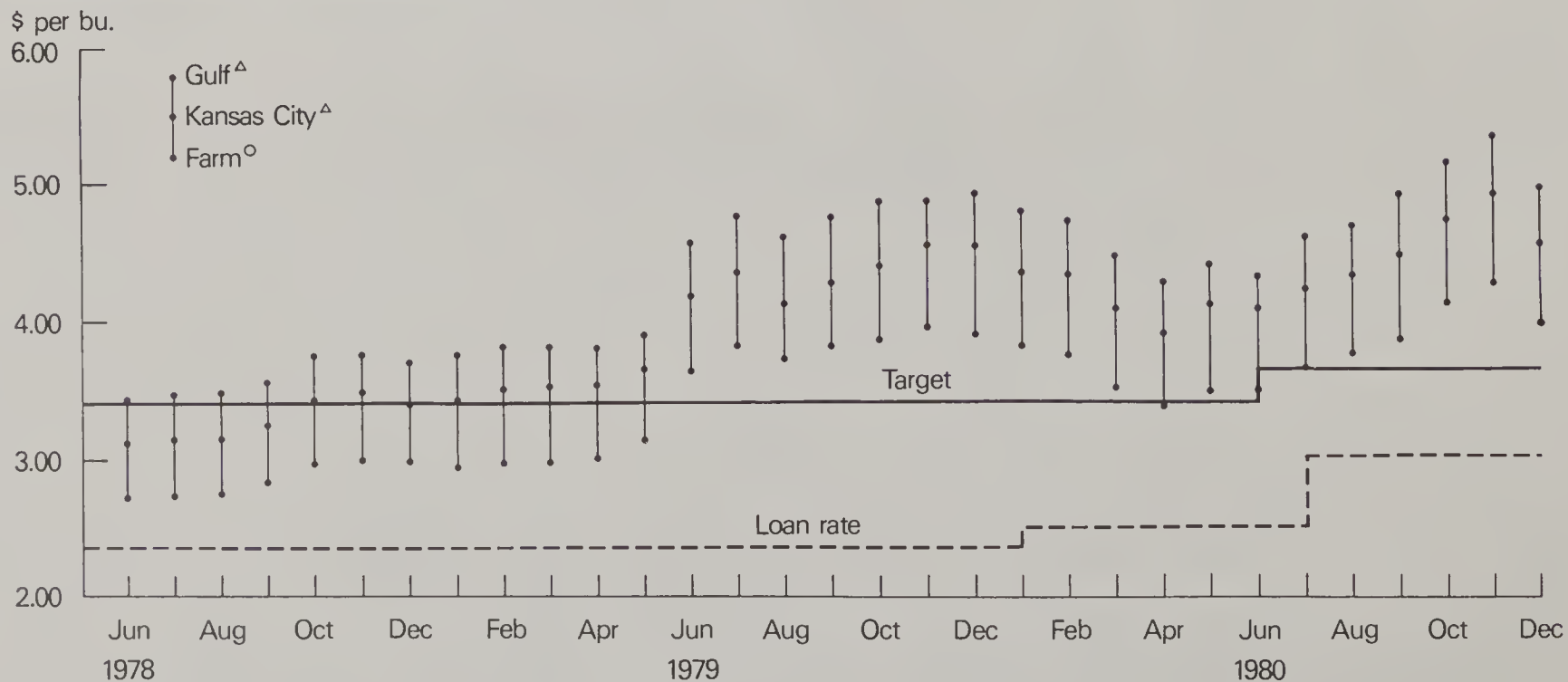
NCA Requirement Dropped for 1981

Recent legislation eliminates the requirement for you to plant your 1981 crop within your normal crop acreage (NCA). This means you will be eligible for support loans, the reserve program, target price protection, and disaster program coverage on all acres seeded for harvest. However, any increase in 1981 acreage will not be added to your farm's NCA for use in subsequent years.

percent) will be waived. Here's what this means...

- Until March 31, you can still take a regular loan on your eligible 1980 crop at \$3 per bushel and pay the accrued interest when redeemed. The effective total value received after 9 months would be \$2.74 a bushel.
- You can place the grain in the reserve, receive \$3.30 a bushel with no interest charge and receive 26-1/2 cents per bushel to cover storage costs.

PRICES UP FROM A YEAR AGO



^ΔNo. 1 Hard Winter, ordinary protein. [○]Average for Colo., Kans., Okla., and Tex. 1980 data compiled only to December 15.

Under this option, the effective total value received after 9 months would be \$3.50 a bushel.

Keep in mind that since the wheat reserve release status ended on January 1, you are again subject to a penalty for withdrawing wheat from the reserve.

- Those who already have 1980 wheat in the reserve (about 13 million bushels) can apply at their ASCS office to receive payment of the additional 30 cents a bushel.
- Those who have regular loans on 1980 wheat (about 115 million bushels) can place this grain in the reserve, receive 30 cents more per bushel, and have the interest charge discontinued.

- As long as these reserve features are in effect, the farmer-owned reserve remains an important marketing option, particularly if prospects for a large crop develop because of good weather and the indicated record winter wheat acreage.

Other features of the Act:

- Provide the Secretary of Agriculture discretionary authority for setting

the release and call levels under the reserve.

- Establish a sales price on grain owned by the Commodity Credit Corporation (CCC) of at least 105 percent of the reserve call level (\$5.51 per bushel) compared with the previous 150 percent of the loan, or \$4.50 a bushel.
- Provide a 4-million-metric-ton humanitarian food reserve to back up P.L. 480 sales during tight supply periods. This reserve will consist of wheat already acquired by CCC as the result of direct market purchases tied to the suspension of grain sales to the USSR.

No Wheat Intentions Until March

The Crop Reporting Board's regular January Prospective Plantings report will estimate acreages for only 9 crops in 16 southern States this year.

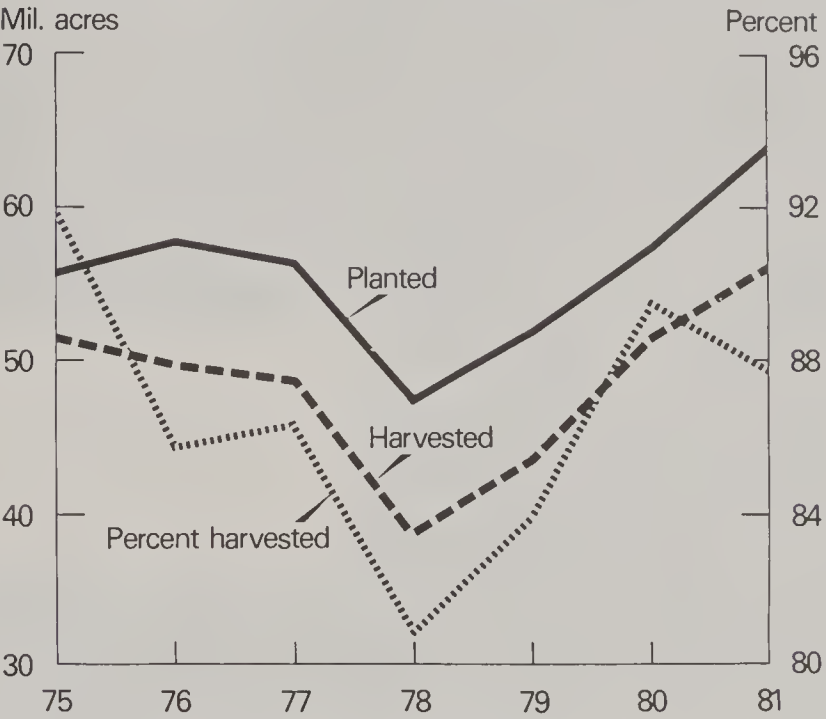
Durum and other spring wheat farmers will get their first look at 1981 acreage plans in late March. The March report will cover spring planted

WHEAT SUPPLY, USE HEADED HIGHER

	1978/79	1979/80 Preliminary	1980/81 Forecast*
Million bushels			
Supply:			
Beginning stocks	1,178	924	903
Production. . . .	1,776	2,134	2,370
Imports	1	2	2
Total supply. .	2,955	3,060	3,275 ± 35
Use:			
Food	591	596	605 ± 5
Seed	87	101	110 ± 5
Feed	159	85	125 ± 50
Exports	1,194	1,375	1,525 ± 100
Total use . .	2,031	2,157	2,365 ± 125
Ending stocks . . .	924	903	910 ± 125
Dollars per bushel			
Avg. farm price . .	2.98	3.82	3.95-4.15

As of January 15, 1980.

WINTER WHEAT ACREAGE RECORD LARGE



1980 preliminary. 1981 indicated as of December 1.

crops in 32 States and will show intentions in time for producers to monitor markets and adjust production and marketing plans accordingly.

Record Winter Wheat Plantings

As winter wheat producers began sowing last fall, farm prices averaged over \$4 a bushel and the prospect of increasing export sales pointed to continued price strength.

With this outlook and no set-aside requirement, growers seeded nearly 64 million acres to winter wheat for harvest in 1981. That's up 6.5 million from last year and tops the 1949 record of 61.2 million. Over the last 3 years, farmers have boosted winter wheat acreage by 16 million acres despite set-aside programs in 1978 and 1979.

USDA's first winter wheat forecast indicates this year's crop could be a record 1.977 billion bushels, 86 million above last season's record. Based on past experience, the chances are 2 out of 3 that this estimate will not differ from the final production figure by more than 160 million bushels.

Also, keep in mind that during the

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last 10 years, the December 1 forecast was below the final estimate 7 times and above it 3 times.

A 37-percent rise in acreage sown to Soft Red wheat partly reflects southern farmers' disappointment in their last two drought-damaged corn crops. In turn, much of the wheat will be double-cropped with soybeans--providing additional cash flow. Winter wheat acreage in Alabama, Arkansas, Georgia, and Tennessee rose by 85, 89, 50, and 51 percent, respectively.

Plantings in major central Soft Red States (Illinois, Indiana, Ohio, Missouri) rose about 1.6 million acres, likely due to the use of some new crop land and some shifting of soybean acreage. However, a tightening feed grain supply and strong prices probably limited any sizable shift from corn area.

In the Great Plains, Hard Red Winter growers increased seeding about 7 percent while Pacific Northwest growers reduced White wheat plantings about 5 percent.

Overall, the crop looks fair to good. But the five-State hard winter region needs more subsoil moisture to ensure good growth and development this spring, meaning questionable wheat-

grazing prospects for cattlemen. Moisture supplies are much better in the eastern Soft Red areas, but more rain would help. Conditions look ideal in the White wheat areas of the Far West.

The winter wheat crops of 1979 and 1980 were banner large due mainly to record yields of about 37 bushels per harvested acre. How weather affects final yields in 1981 remains to be seen, but increased plantings usually result in the use of less productive land, which tends to pull down average yields.

However, the large expansion in soft wheat plantings, which generally yield 10 or more bushels per acre than hard winter, could be offsetting--producing an average winter wheat yield only slightly below the high levels of the past 2 years.

WINTER CROP FORECAST--BIGGEST EVER

	1979	1980	1981*
	Million bushels		
Hard Red.	1,089	1,185	1,203
Soft Red	317	427	526
White.	195	279	248
Total	1,601	1,891	1,977

*Preliminary.